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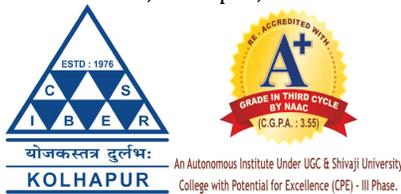
Decline of once a Time Market Leader: A Case Study of Walwa  
Bazaar Consumer Cooperative Sector

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**How to cite this paper:** Seema Desai  
"Decline of once a Time Market Leader:  
A Case Study of Walwa Bazaar  
Consumer Cooperative Sector"  
Published in International Journal of  
Trend in Scientific Research and  
Development (ijtsrd), ISSN: 2456-6470,  
Special Issue | Fostering Innovation,  
Integration and Inclusion Through  
Interdisciplinary  
Practices in  
Management, March  
2019, pp.169-173,  
URL:  
<https://www.ijtsrd.com/papers/ijtsrd23092.pdf>



IJTSRD23092

ABSTRACT

Walwa Bazar was incorporated in 1980 by the Cooperative society of Shetkari Sanghatana as a retail trading organization. In the later years, the company diversified into other products including grocery, Apparel, Electronic items etc. Its FMCG division started in 1980 with the support of Shetkari Sanghatana. Over the years, Walwa Bazar made a tremendous progress in all the retail dimensions to emerge as a market leader in the vicinity of Islampur town. The organization also earned the reputation that it provides the consumer with the best of the materials at a rate less than rest of the market.

However, since 1998, Walwa bazar's performance started dwindling. The policies of liberalization, privatization and globalization layed the way for the entry of many private brands, both domestic and foreign, into the Indian retail market that became very competitive. Gradually, Walwa Bazar lost its Number One position to Aajinkya Bazar. After several failed attempts to turn around, the government finally closed down few sections which were non profitable in the year 2016. With this, walwa bazar became a brand of the former period. This case study portrays the long and eventful journey of Walwa Bazar and then analyzes the major reasons behind its failure. It implies a few important strategic lessons for the management students.

**KEYWORDS:** Business environment, organization performance, competition, customer needs, research and development, organization culture, strategy

INTRODUCTION

Walwa Bazar Limited, once known as the retail store of the city, was stated non profitable. Walwa Bazar started as a cooperative enterprise under the Shetkari sanghatana for fulfilling the unmet demand for FMCG product under one roof for the citizens of Islampur. The company had many highs and lows in its long and eventful journey that began in 1980. In today's very competitive business environment, the downfall of an organization is a mundane affair and hence, very rarely it draws any serious public attention. In the past, people have witnessed the fall of globally renowned brands like Kodak, Nokia and many others. In India, several public sector giants have either closed permanently or turned into perpetually sick units. But the poor performance of Walwa Bazar induced a strong sentiment among the citizens. For many of the villagers from nearby vicinity, Walwa Bazar was not just a cooperative retail store — it was a symbol of City pride and bearer of self-esteem.

Walwa Bazar was incorporated in 1986 by the Cooperative society of Shetkari Sanghatana as a retail trading organization. In the later years, the company diversified into other products including grocery, Apparel, Electronic items etc. Its FMCG division started in 1980 with the support of Shetkari Sanghatana. Over the years, Walwa Bazar made a tremendous progress in all the retail dimensions to emerge as a market leader in the vicinity of Islampur town. There is always a 'first mover advantage' in an upcoming sector. This advantage had been taken by Walwa Bazar in Islampur. It has brought about many changes in the buying behavior of people as it provided all items in one roof at low rates.

The organization also earned the reputation of "Nivadak Maal" (Meaning You will find good quality cheaper and better products here) it provides the consumer with the best of the materials at a rate less than rest of the market. The

Retail business of Bazar had an deep impact in the minds of consumers of Islampur and nearby vicinity that all the FMCG products are available under one roof. It was recognized as a strong brand in the Islampur market

However, since 1998, Walwa bazar's performance started dwindling. The policies of liberalization, privatization and globalization laid the way for the entry of many private brands, both domestic and foreign, into the Indian retail market that became very competitive. The Bazar management did not show enough alertness to make necessary changes in its business models to cope with the changing business environment. Gradually, Walwa Bazar lost its Number One position to Aajinkya Bazar. Walwa Bazar's inability to understand the needs of modern-day customers and its insufficient attention towards Management made things even worse for the organization. With losses accumulating over the years, Bazar became financially unviable. After several failed attempts to turn around, the government finally closed down few sections which were non profitable in the year 2016. With this, walwa bazar became a brand of the former period

Until 1980, the citizens of Islampur used to purchase FMCG products from variety of shops mainly the small retailers i.e. the Kirana shops. The shopping was considered to be a one full day event because it used to consume more time and the customer used to be exhausted by the end of day, moving from one shop to another. But when Walwa Bazar was established and started making available products under one roof, shopping became an effortless and affordable task. Walwa Bazar gained prominence for another reason — it was one among the first few cooperative retail bazar that could earn the 'Locally Made' label in a period when the country was striving to achieve self-reliance. Since then, Walwa Bazar had made a steady progress in all business dimensions. Its sales revenue grew amazingly to help the store reach a position of a market leader with very little competition to face. The popularity of Walwa Bazar among the customers was rising fast on the strengths of their utility, durability and attractive pricing. The Store also enjoyed the continued support of the successive regime at the centre. Gradually, Walwa Bazar became a household name in the city in the retail store category and established itself as a strong brand in the Islampur market. Besides, it occupied an adorable place in the space of public memory because Walwa Bazar emerged as one of the most popular trust worthy options for special purchase during festive occasions such as Diwali, Events and marriages.

However, the success of Walwa Bazar could not be sustained for long once the business environment in the country started changing the existing economic liberalization policy. The private players, both international and home-grown, entered the Indian retail market that gave tough competition to the incumbent firm(s). Walwa Bazar lost its number one position, though it managed to sail through. Then, things became worse for Walwa Bazar after the company started incurring financial losses from where it could never recover in spite of several attempts to turn around. The repeated mistakes by the top management on the strategy front along with the government's apathy cost heavily to the company. Finally, in early 2004, the doors were permanently shut at the Walwa Bazar. It is said that time does not stop ticking but Walwa Bazar stopped ticking from that very moment. With

this ended the journey of an endearing organization, and a reputed brand ceased to exist.

This case study attempts to portray the journey of Walwa Bazar from its inception to the days of meteoric rise till its closure. It then analyzes and identifies the major reasons behind Walwa Bazar fall from the strategic perspectives. The case implies some important management lessons which can be a good guide to the MBA students.

### **Walwa Bazar Limited**

Walwa Bazar Limited is the oldest retail store which ranks first in the total stores in the vicinity of Islampur town and was incorporated on 19-01-1980 by the consumer cooperative voluntary organization for procuring goods in bulk from the production centers at reasonably lesser prices to arrange equal distribution to their members at fair prices. The stores primary objective was to make available majority of FMCG goods under one umbrella at a reasonable price. Over the years, the store diversified into Electronics section, Consumer durable section and apparel section. Its apparel business made a beginning in 1981. Besides taking Management support from qualified skilled management team, Walwa bazar used to send its employees to training institutes to get trained regarding product knowledge and store services. Later, Walwa bazar expanded its store base by establishing new branches at Ashta, Kasegaon, Bagani, Gotkhindi and Bavachi.

In the initial years, Bazar stood as a symbol of both hope and aspiration towards the towns 'trust with self-reliance'. The store experienced stable growth till the late 1990s, and in the process, it emerged as the acknowledged leader in the Islampur retail market. However, economic liberalization from the early 1990s facilitated the entry of many private players that included big bazar of the future group. Being a consumer cooperative sector store with large Management control, Walwa Bazar could not compete successfully with its private competitors, having agile management. As a result, walwa bazar's growth got shaken, and its market dominance declined. In the later period, walwa bazar started trembling due to one reason or the other and finally reached a situation of near nothingness.

Walwa consumer cooperative's long journey in the retail business since the early 1980s can be divided into three distinct sub-periods, namely, 1980 to 1991, described as the golden era; 1991 to 1998, the pre-reform period and then post-1998, when economic reforms dictated the fate of many retail giants.

### **Walwa Bazar's Golden Era**

The first decade of existence, that is, from 1980 to 1991, were a smooth ride for walwa bazar. It was not much competition in the domestic market with small kirana shops as the only other player with notable presence. The Management policy also imposed severe restrictions on the selling strategies of goods in walwa bazar. All these helped walwa bazar to rise to a position of near monopoly in the Islampur retail market. The stores market share started soaring high, reaching up to 90 per cent for some brief periods. Besides gaining market dominance, walwa bazar was able to make good profits by reaping the benefits of economies of scale through its locally made mass-production strategy. In 1996, walwa bazar achieved a landmark when it

doubled its capacity. The stores dependence on branded goods got reduced substantially with in-house procurement of FMCG finished agri-products. But by the end of this period, consumers' preference indicated a distinct shift towards large retail houses. Walwa bazar's market share started declining due to this.

### **Competition Emerges in the Indian Watch Market**

Around 1981, the global trend for quartz watches became very prominent. The major watch making companies progressed from mechanical watches to quartz watches. Hindustan Machine Tools was quick to join this bandwagon by launching quartz watches in India. However, its market success remained limited because price-sensitive Indian consumers found HMT's quartz watches a bit too expensive. As a counter strategy, HMT's management decided to refocus on mechanical watches only. It also upgraded the production capacities of mechanical watches.

While Walwa bazar was trying to cope with the changes in consumer preference, another retail house, entered into the Islampur market with the support from Big brand companies. But Walwa bazar could more or less hold on its customer base as the new entrant did not pose any major threat. By the middle of the 1990s, there was a visible change in the political leadership of the Walwa bazar management. By 1991, Ajinkya bazar entered into the Islampur market as the third bazar after Siddhivinaya Bazaar and Hanamant Bazar. Ajinkya bazar brought about a paradigm shift in the Islampur retail market by offering quality products, variety of brands, and quick service admired by the consumers. Walwa bazar, on the other hand, continued with the traditional services and locally made products. Within a short span of time, Ajinkya bazar appeared to be a challenger forcing the market leader Walwa bazar to rethink its strategies.

### **Reasons behind Retail Downfall**

Walwa bazar downfall was imminent as the company was in a continuing loss for a long time since 2000. It is very difficult to identify any single reason behind the fall of this organization, it is argued that the company's management could not cope with the changing business environment in the town. That's why a new competitor like Ajinkya Bazar with a good understanding of the Islampur market could march ahead, whereas an old and established company such as Walwa bazar lost its way at the same time and under similar microeconomic conditions. The following paragraphs outline the major reasons behind the retail fall.

### **Centralized Decision making**

In Walwa bazar, being a cooperative enterprise, the decision making power was vested in the BOG. Hence, needless to mention, the decision making in Walwa bazar was highly centralized. Quite often, the senior management of the organization would complain about the administrative hurdles leading to delays in critical decisions like the launching of new products. During many occasions, manufacturing decisions could not be timely which caused the loss of sales and hence financial losses. The former Chief Managing Director of the company, said the following:

"Everything was going smoothly for the Walwa bazar, which was a retail cooperative sector ornament, till 1998-1999, it went into losses after the entry of new competitors, It had to

face financial shortage as it had to feed around 50 employees without any sales. This led to its downfall".

At a critical juncture, when the management proposed a turnaround plan for the company, the same was turned down by the BOG, factors like shortages of finance, mushrooming of small private retailers adversely affected the organization. Walwa bazar Retail continued to accumulate losses, which eventually led to its inevitable fall.

### **Lack of Research and Development**

The primary role of Walwa bazar was to make available FMCG products under one roof, so that shopping became an effortless and affordable task. But being a part of the pre-liberalization era, Walwa bazar confined itself to sell basic utility products only and did not pay adequate attention to technologically advanced, branded products. No special focus was put on research and development (R&D). Similarly, the store lacked efforts on aesthetics, store design and Store layout aspects which are very critical for the market success of a store.

### **Weak Organizational Culture**

Walwa bazar was known for its typical consumer cooperative voluntary organization culture. The store management did not show any entrepreneurial spirit. The employees, on the other hand, remained crippled with the old mindset and presumed themselves only as job seekers. There was a lack of team spirit and near absence of motivational strategies. When the store entered into a phase of poor financial health, the Walwa bazar employees were not even paid their wages. Of late, at the time of the announcement of the closure of few sections, Walwa bazar had more than 28 employees spread over its various branches. All these employees were forcibly given the 'voluntary' departure. Overall, the weak organizational culture at Walwa bazar did not help its cause and had adverse effects on its physical and financial performance.

### **Less Control over Retail Trade**

Walwa bazar had a limited chain of distributors. The store was selling FMCG products through its branches spread across near by villages in the vicinity of Islampur town. FMCG products were also available at nearby Kirana stores, Defense Canteen Store Depots (CSDs) and a few designated wholesalers. Initially, when the demand for Walwa bazar used to be high, these wholesalers sold products at a premium price. Slowly, Walwa bazar lost its command over retail price and subsequently it lost control on the trade completely. The resultant outcome was that the trade was controlled by a few wholesalers.

### **Inability to Understand Changing Consumer Preferences**

Walwa bazar used to conduct occasional consumer surveys to gain an understanding of the consumer preferences. However, the store management rarely used these survey results for making changes in the product line or formulating appropriate marketing strategies. Walwa bazar missed on a very crucial aspect of the industry, that, consumers want effortless purchase, time saving is a major factor for both men and women. Modern consumers were aware about the consumer experience and services made available to match their style of shopping. But Walwa bazar failed to understand the mindset of aesthetics-seeking consumers,

which hit it hard. In contrast, its competitors with a better understanding of the market got the upper hand.

### Focusing on Obsolete Technology

In the late 1990s, Walwa bazar was the first store in Islampur to launch a retail store. It released its products which were locally manufactured under the brand name of Walwa. Some products were ahead of their time, reasonably high priced and positioned themselves to cater only to the premium segments of the market. Strategically, Walwa bazar kept its branded products under the high-price category. Later on, when the brands became more popular during the late 1990s, Walwa bazar continued with its high-price strategy. Walwa bazar presumed that branded products would have a limited market in the town. Henceforth, it kept on focusing on branded products and consequently, it stopped advertising its local branded products.

### Inadequate Advertisement

Walwa bazar did not pay much attention to promotional strategies either. Specifically, when the competitors started invading the market, Walwa bazar should have made adequate efforts on making its products appearing in various media to have a permanent space in consumers' minds. As a market leader, Walwa bazar appeared to be complacent and very few aggressive advertisement campaigns were released by it for augmenting the visibility to its products. This is another aspect where Walwa bazar lost to the competitors.

### Poor Strategy and Losing to Competition

Walwa bazar, though it had a good brand image, was recognized just as a typical retail store. Ajinkya Bazar, on the other hand, was seen as the 'Today's Retail Comfort Experience,' with its range of various product lines. Walwa bazar's product range had almost similar products as that of the Ajinkya bazar but the brand's association with Customer experience was perceived to be weak. Rather, Walwa bazar came to be known as an old retail consumer cooperative store.

Walwa bazar failure, however, can be attributed to its inability to deliver differentiated products, which had a large demand in the market. On the other hand, Walwa bazar main rival Ajinkya bazar offered the best and the most desirable range of products to its customers at a very affordable price implementing latest marketing strategies to lure the customers. Thus, Walwa bazar failed to allure customers from different market segments.

### Lessons to be Learnt

It is said that time and tide wait for none and the same applies to Walwa bazar. From the position of an industry leader once and capturing an endearing place in the hearts of lakhs of customers, Walwa bazar will now be remembered as a brand of the bygone era. There might be numerous factors responsible for Walwa bazar's failure, but the case highlights the principal ones. This case is also significant as it leads to important management lessons, some of which are discussed here.

Walwa bazar, in spite of being a part of Islampur's large and lethargic Consumer cooperative sector system, was one of the strongest brands in the town. It took a long time for Walwa bazar to earn this reputation. But, in the end, its strong brand image could not save the organization from

failing. Many Organizations spend considerable time and resources to create a brand and then nurture it ceaselessly for ensuring sustained market performance. The Walwa bazar case teaches that while brand building certainly helps, it alone cannot guarantee success for ever.

As Walwa bazar was the sole player in the market, the customers had very little choice when it came to buying retail Grocery. But with competition emerging after economic reforms, Walwa bazar started losing their market shares, sometimes too much, too fast. Its competitors could easily win over the retail buyers by offering a large variety of products at multiple price points. They also adopted aggressive marketing strategies to attract the Islampur customers. Walwa bazar, on the other hand, failed to understand the pulse of the market and continued, more or less, with the same products and strategy, which could hardly meet the needs of the modern customers.

Finally, the case reminds us that the business environment is one of the intervening factors that forces organizations to adopt changes. However, Walwa bazar as an organization did not change much to adjust to the change of the business environment in the post-reform era. It maintained its old style of management which was not in sync with the economic realities of the twenty-first century. This fastened Walwa bazar inevitable downfall.

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